

Agenda ID# 15029

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Safety and Enforcement Division

San Francisco, California

Date: August 18, 2016

Resolution No. SED - 1

RESOLUTION

RESOLUTION ON THE COMMISSION'S OWN MOTION TO RATIFY THE MANDATORY INSTRUCTIONS OF THE EXECUTIVE DIRECTOR'S PREVIOUS EMERGENCY MANDATES TO REDUCE PRESSURE ON LINE 1600, PERFORM INLINE INSPECTIONS OF LINE 1600, PERFORM LEAK SERVEYS ON LINE 1600, AND TO REPLACE SEGMENTS OF LINE 1600.

SUMMARY

This Resolution is issued to ensure an additional safety margin for the general public and San Diego Gas & Electric Company's (SDG&E) workforce in connection with the operation of Line 1600 of SDG&E's gas transmission system. The orders within this Resolution direct SDG&E to do four things:

- Reduce pressure on Line 1600 to 512 pounds per square inch gauge (psig)¹;
- Perform In-Line Inspections (ILI) of Line 1600 using identical technologies as in the previous ILI run and compare the results with the data gathered in the 2012-2015 ILI tool runs;
- Replace segments on Line 1600 from Engineering Stations "17-131";
- Perform Quarterly Instrumented Leak Surveys on the entirety of Line 1600.

These directives are effective immediately.

¹ This is a measurement of pressure relative to the ambient atmospheric pressure.

BACKGROUND

On July 8, 2016, Executive Director Tim Sullivan sent SDG&E a letter directing SDG&E to do the following:

- Reduce pressure on Line 1600 to 512 psig, which represents a 20% reduction from design-based maximum allowable operating pressure (MAOP),
- Perform ILI of Line 1600 using identical technologies as in SDG&E's previous ILI runs and compare the results with the 2012-2015 ILI data,
- Replace segment from Engineering Stations "17-131" on Line 1600; and,
- Perform Quarterly Instrumented Leak Surveys on the entire transmission Line 1600.

The directives were to be effective immediately and SDG&E was to confirm within four working days from the date of the letter that SDG&E will implement these actions as expeditiously as possible or alternatively inform the Commission of any service reliability risks these measures may create. Additionally, SDG&E was to "provide a timeline for submitting the quarterly leak survey results and a plan in advance of the ILI work as well as the design and construction plan of the segment replacement for Engineering Stations 17-131 to the Safety and Enforcement Division."

SDG&E and Southern California Gas (SoCalGas) provided the following written response:

- On July 9, 2016, SDG&E and SoCalGas lowered the MAOP in Line 1600 to 512 psig;
- SDG&E and SoCalGas accelerated its schedule to perform ILI tool runs on Line 1600 from Rainbow to Mission by the end of 2016. This does not include a segment of pipeline under Lake Hodges that was inspected in late 2015 and will be inspected again in 2021;
- SDG&E and SoCalGas planned to replace the segments at issue by the end of 2016 and will provide the Commission's Safety and Enforcement Division (SED) with any updates; and,
- SDG&E and SoCalGas indicated it will continue the bi-monthly (every other month) leak surveys on Line 1600 that it started in 2011 and will report to SED any leaks identified.

The genesis of the July 8, 2016 was information the Commission received from SDG&E in response to an advisory staff data request issued in connection with Application (A) 15-09-013. A.15-09-013 is an open proceeding before the Commission. Actions directed pursuant to the July 8, 2016 letter and this Resolution may be within the scope of A.15-09-013 but the Commission's and SDG&E's obligation to ensure additional safety margins for utility customers, SDG&E's workforce and the general public require this immediate action.

DISCUSSION

The purpose of this resolution is to ensure additional safety margins for the general public, SDG&E's workforce and the customers of SDG&E in connection with the operation of Line 1600 of its gas transmission system by ratifying the Commission's Executive Director Emergency Order discussed above. As stated above, the Commission asked for and received certain safety data concerning Line 1600. And while none of the data received show conclusively that Line 1600 is unsafe for any purpose, neither do they show conclusively that it is safe as it is currently being used. We therefore find it appropriate to direct SDG&E to generate the additional safety data the Commission will need to determine whether Line 1600 is safe, and to provide an additional cushion while that data is gathered and analyzed.

The Commission issues the directives in this Resolution pursuant to its plenary and broad powers under, *inter alia*, the California Constitution and Public Utilities Code section 451, which mandates the following: "Every public utility shall furnish and maintain such adequate, efficient, just, and reasonable service, instrumentalities, equipment, and facilities as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public." (Pub. Util. Code § 451.) In our broad grant of jurisdiction over public utilities in California, we are authorized to "do all things, whether specifically designated in ... [the Public Utilities Code] or in addition thereto, which are necessary and convenient" to our regulation of public utilities, including, though not limited to, adopting necessary rules and requirements in furtherance of our constitutional and statutory duties to regulate and oversee public utilities operating in California. (Pub. Util. Code § 701.)

This Commission has comprehensive jurisdiction over questions of public health and safety arising from utility operations. (*San Diego Gas & Electric v. Superior Court* ("Covalt") (1996) 13 Cal.4th 893, 923-924.) Our jurisdiction to regulate these entities is set forth in the California Constitution and in the Public Utilities Code. (Cal. Const., art. XII, §§ 1-6; see generally, Pub. Util. Code §§ 216, 701, 768, 1001.) Public utilities are required to "obey and comply with every order, decision, direction, or rule made or prescribed by the commission" (Pub. Util. Code § 702; see also, Pub. Util. Code, §§761, 762, 767.5, 768, 770.)"

Under federal statutes, the Commission is certificated by the Pipeline and Hazardous Materials Safety Administration (PHMSA) in the U.S. Department of Transportation to adopt the federal pipeline safety standards, to enforce those standards, order the preservation and maintenance of records, and enforce these powers through injunctive relief. (See 49 U.S.C. § 60105, subs. (b)(1) through (b)(7)).

Because of the urgent public safety concerns raised by Line 1600 of SDG&E's gas transmission line system, the Commission's Executive Director ordered SDG&E to perform certain duties in a letter dated July 8, 2016. By this Resolution, the Commission hereby approves those mandates. Specifically,

- Reduce pressure on Line 1600 to 512 psig, which represents a 20% reduction from design-based maximum allowable operating pressure (MAOP),
- Perform ILI of Line 1600 using identical technologies as in SDG&E's previous ILI runs and compare the results with the 2012-2015 ILI data,
- Replace segment from Engineering Stations "17-131" on Line 1600; and,
- Perform Quarterly Instrumented Leak Surveys on the entire transmission Line 1600.

These measures included providing a timeline for submitting the quarterly leak survey results and a plan in advance of the ILI work as well as the design and construction plan of the segment replacement for Engineering Stations 17-131 to the Safety and Enforcement Division.

These directives are effective immediately.

COMMENTS ON RESOLUTION

In accordance with the California Public Utilities Code § 311(g)(1) the SED Resolution in this matter was made available to all parties on the service list for Application (A.) 15-09-013; A.14-12-017 (the Triennial Cost Allocation Proceeding for SDG&E and Southern California Gas Company); and Rulemaking 11-02-019 (the Pipeline Safety Enhancement Plan proceeding) and posted on the Commission's website on July 19, 2016.

Comments were filed on August 8, 2016 by SDG&E/SoCalGas, ORA, UCAN, SCGC, Sierra Club and John Stump. SED did not receive any reply comments by the August 15, 2016 deadline.

SDG&E and SoCalGas argued in its comments that the resolution is in error by calculating a 20% reduction from designed-based MAOP of 640 psig. SDG&E and SoCalGas claim that the designed-based MAOP for Line 1600 is 812.5 psig. Information provided by SDG&E and SoCalGas in data request responses to SED clearly showed a design based MAOP of 650 psig for numerous segments of Line 1600. Hence, application of a 20% reduction from this design based MAOP of 640 psig that SDG&E established in 2011 equaled 512 psig.

SDG&E and SoCalGas stated that the ordered pressure reduction to 512 psig has impacted its systems capacity, reliability and operational flexibility. SDG&E and SoCalGas indicated that the pressure reduction resulted in capacity reduction of 35 million cubic feet per day (MMcfd) but indicated that the reduced capacity is currently sufficient to meet its 1-in-10 cold day and 1-in-35 year peak day design standards. SDG&E and SoCalGas reported that current customer impacts included increased use of onsite compression by electric generator and major industrial customers that are served from Line 1600. SDG&E and SoCalGas indicated that any additional demand or system outages will further constrain its ability to serve its customers' demand during peak periods and may increase the possibility of curtailments.

Additionally, SDG&E and SoCalGas requested clarification, whether the Commission is adopting a new safety standard for natural gas pipelines in California by the following language on Draft Resolution at 3: “As stated above, the Commission asked for and received certain safety data concerning Line 1600. And while none of the data received show conclusively that Line 1600 is unsafe for any purpose, neither do they show conclusively that it is safe as it is currently being used. We therefore find it appropriate to direct SDG&E to generate the additional safety data the Commission will need to determine whether Line 1600 is safe” See also Draft Resolution at 5 (Finding No. 6).” SDG&E and SoCalGas cited President Picker’s pending Proposed Decision in the Safety Model Assessment Proceeding (SMAP) as a justification that the Commission may be setting a standard that requires 100% certainty that there is zero chance of a pipeline failure regardless of the circumstances. SDG&E and SoCalGas requested that Commission remove this language from the Resolution. The Commission is not adopting any new safety rules or regulations by this Resolution and the Commission’s SED shall continue to work on ensuring compliance with all federal and state gas pipeline safety laws and regulations, including the Commission’s PSEP Decisions.

In their comments, ORA, UCAN, SGGC and Sierra Club requested that the Commission require SoCalGas and SDG&E post on its websites the Energy Division’s (ED) and SED’s data requests mentioned in this resolution. Additionally, these parties request that the results of the testing on Line 1600 be made publicly available in language understandable by non-engineers and non-technical members of the public, including the service list of A.15.09-013. SDG&E and SoCalGas shall prepare a public version of its responses to the SED and ED data requests and shall send the public version to the service lists on which this draft resolution was initially served, including A.15-09-013, A.14-12-017, and R.11-02-019. In the event SDG&E believes its response contains confidential material, it should redact the public version accordingly or submit its request for confidentiality to SED and ED with a copy to the service list in 5 business days, similar to the process for advice letters in Section 9.0 of General Order 96 B.

Additionally, ORA, UCAN, SCGC and Sierra Club recommended revising the Draft Resolution SED-1 to align with SDG&E’s and SoCalGas’ current commitments in its response to the July 8, 2016 Directives. In addition, ORA recommended adding the commitments to the Findings and Conclusions. This resolution has been modified to adopt the recommendation that SDG&E conduct bi-monthly (every other month) Instrumented Leak Surveys on the entire transmission Line 1600.

ORA also expressed concerns that this resolution may inadvertently prejudice the outcome of A.15-09-013 by inserting evidence outside the scope of its docket. This resolution has been modified to reflect these concerns. Nothing in this Resolution SED-1 prejudices the outcome of the application A.15-09-013 and concerns regarding the evidentiary record of A.15-09-03 should be addressed in that proceeding.

Mr. Stump expressed his concerns and compared the Line 1600's size, age, operating pressure and class location to the pipeline that failed in San Bruno, CA. Mr. Stump also expressed concern with the current route of Line 1600 passes through heavily populated urban areas of San Diego, including homes, apartment buildings, directly adjacent to Central Elementary School, other schools, several child care facilities, the active City Heights Library, Farmers Market and etc.

FINDINGS AND CONCLUSIONS

1. On July 8, 2016, Executive Director Timothy J. Sullivan sent SDG&E a letter directing SDG&E to do the following: (1) Reduce pressure on Line 1600 to 512 psig, which represents a 20% reduction from design-based maximum allowable operating pressure (MAOP); (2) Perform In-Line Inspections (ILI) of Line 1600 using identical technologies as in SDG&E's previous ILI runs and compare the results with the 2012- 2015 ILI data; (3) Replace the segment from Engineering Stations "17-131" on Line 1600 and, (4) Perform Quarterly Instrumented Leak Surveys on the entire transmission Line 1600.
2. The July 8, 2016 Executive Director letter to SDG&E also required SDG&E to provide a timeline for submitting the quarterly leak survey results and a plan in advance of the ILI work as well as the design and construction plan of the segment replacement for Engineering Stations 17-131 to the Safety and Enforcement Division."
3. The July 8, 2016 Executive Director letter to SDG&E also required SDG&E to confirm within four working days from the date of the letter that SDG&E will implement these actions as expeditiously as possible or alternatively inform the Commission of any service reliability risks these measures may create.
4. The mandates set forth in the Commission's Executive Director July 8, 2016 letter to SDG&E were to be effective immediately.
5. The mandates issued by the Commission's Executive Director set forth in his July 8, 2016 to San Diego Gas & Electric Company's (SDG&E) were necessary to immediately enact additional safety margins for the general public, SDG&E's workforce and the customers of SDG&E in connection with the operation of Line 1600 gas transmission system.
6. Commission received certain safety data concerning Line 1600 which does not show conclusively that Line 1600 is unsafe for any purpose, nor does it show conclusively that it is safe as it is currently being used.
7. Actions directed pursuant to the July 8, 2016 letter and this Resolution may be within the scope of A.15-09-013 but the Commission's and SDG&E's obligation

- to ensure additional safety margins for utility customers, SDG&E's workforce and the general public require this appropriate and reasonable immediate action.
8. We therefore find it appropriate and reasonable to direct SDG&E to generate the additional safety data the Commission will need to determine whether Line 1600 is safe, and to provide an additional cushion while that data is gathered and analyzed.
 9. It is reasonable to approve the Executive Director's Directives.
 10. The Commission issues the directives in this Resolution pursuant to its plenary and broad powers under, *inter alia*, the California Constitution and Public Utilities Code sections 451 and 701.
 11. The Commission is certificated by the Pipeline and Hazardous Materials Safety Administration (PHMSA) in the U.S. Department of Transportation to adopt the federal pipeline safety standards, to enforce those standards, order the preservation and maintenance of records, and enforce these powers through injunctive relief.

THEREFORE IT IS ORDERED THAT:

1. SDG&E shall reduce the operating pressure on Line 1600 to 512 psig, which represents a 20% reduction from design-based maximum allowable operating pressure (MAOP).
2. SDG&E shall perform In-Line Inspections (ILI) of Line 1600 using identical technologies as in SDG&E's previous ILI runs and compare the results with the 2012-2015 ILI data, and shall provide to the Commission's Safety and Enforcement Division (SED) a work plan in advance of the ILI work.
3. SDG&E shall replace segment from Engineering Stations "17-131" on Line 1600, and shall provide to the Commission's SED the design and construction plans for this work.
4. SDG&E shall perform bi-monthly (every other month) Instrumented Leak Surveys on the entirety of transmission Line 1600 and will report to SED any leaks identified, and provide a timeline to SED, for submitting the bimonthly leak survey results.
5. Nothing in this Resolution should prejudice the outcome of the application A.15-09-013 proceeding or the evidentiary record of A.15-09-013.
6. SDG&E and SoCalGas shall prepare a public version of its responses to the SED and ED data requests and shall send the public version to the service lists on which this draft resolution was initially served, including A.15-09-013, A.14-12-017, and R.11-02-019. In the event SDG&E believes its response contains confidential material, it should redact the public version accordingly or submit its request for

confidentiality to SED and ED with a copy to the service list in 5 business days, similar to the process for advice letters in Section 9.0 of General Order 96 B.

7. The effective date of this order is today.

I certify that this Resolution was adopted by the California Public Utilities Commission at its regular meeting of August 18, 2016, and that the following Commissioners approved it:

TIMOTHY J. SULLIVAN
Executive Director